

Message Text

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ACTION EB-11

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC 9168

INFO AMCONSUL LUANDA

AMCONSUL LOURENCO MARQUES

AMCONSUL OPORTO

C O N F I D E N T I A L LISBON 0694

E.O. 11652: GDS

TAGS: EIND, ETRD, PO, AO

SUBJECT: ANGOLAN FERROUS SCRAP IMPORTS FROM U.S.

REF: STATE 024487

SUMMARY: EMBASSY BELIEVES ANGOLAN SCRAP NEED IS SPECIAL
HARDSHIP CASE. GOP FOREIGN MINISTRY NOTE AND LISBON
MANAGER OF ANGOLAN STEELWORKS STATE WHAT WITHOUT
10,000 ST CONTRACTED FROM U.S., PLANT WILL BE CLOSED
BY APRIL AND FREEZE IN CIVIL CONSTRUCTION WILL FOLLOW.
COUNTRY FIRST QUARTER QUOTA OF 900 ST PRESUMABLY
ERRONEOUSLY DETERMINED BY SPREADING OVER 3 YEAR BASE
PERIOD TOTAL ANGOLA SCRAP IMPORTS WHICH IN FACT
REPRESENTED ONLY 6-MONTH IMPORTS. U.S. ACTION COULD
PREJUDICE FUTURE BUSINESS WITH IMPORTANT PORTUGUESE
BANKING AND INDUSTRIAL CONGLOMERATE, AND AFFECT CLIMATE
FOR AZORES NEGOTIATIONS. END SUMMARY

1. EMBASSY HAS RECEIVED URGENT NOTE FROM GOP FOREIGN
MINISTRY REQUESTING QUOTA FOR 30,000 TONS OF U.S.
FERROUS SCRAP FOR ANGOLAN NATIONAL STEELWORKS (SNA)
DURING 1974. SNA, NOTE SAYS, IS THREATENED WITH
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IMMEDIATE PARALYSIS IF U.S. REFUSES EXPORT LICENSE

FOR SHIPMENT OF 10,000 TONS SCRAP PRESENTLY UNDER CONTRACT. REMAINING NEED IN 1974 FOR THIS SOLE IMPORTER OF SCRAP IN ANGOLA FORESEEN AS 20,000 TONS.

2. LISBON-BASED MANAGER OF SNA (CORREA DA SILVA) STATES THAT SNA WENT INTO PRODUCTION ONLY IN 1971, USING SCRAP PURCHASED IN ANGOLA SINCE 1967/8. THESE STOCKS EXHAUSTED AFTER FIRST 18 MONTHS, AT WHICH POINT SNA ENTERED INTO CONTRACT WITH MITSUI FOR SCRAP SUPPLY. IN LAST SIX MONTHS OF 1972, MITSUI SUPPLIED SNA WITH 10,166 TONS OF SCRAP IN TWO LOTS OBTAINED FROM POLLOCK ABRAM INC. AND COMMERCIAL METALS OVERSEAS EXPORT CO. (WHO RESPECTIVELY HAVE ALLOCATIONS FOR ANGOLA FOR JAN-MARCH 1974 OF 582 AND 318 SHORT TONS). MITSUI SUPPLIED SOME 20,000 ST TO SNA IN 1973, APPARENTLY ALL OBTAINED FROM CANADIAN SUPPLIER QUEBEC STEEL PRODUCTS. CORREA DA SILVA STATES CANADA NOW HAS EXPORT RESTRICTIONS IMILAR TO U.S. AND SINCE ITS SUPPLY NORMALLY LESS THAN 10 PERCENT OF U.S., THERE NO PROSPECT SNA CAN FILL ITS PRESENT NEEDS IN CANADA. IF UNABLE OBTAIN 10,000 ST CONTRACTED FOR WITH MITSUI FROM U.S., STOCKS WILL BE EXHAUSTED AND SNA WILL HAVE TO BE CLOSED DOWN BY END APRIL. THREE MONTHS THEREAFTER, ACCORDING CORREA DA SILVA, ALL CIVIL CONSTRUCTION IN ANGOLA WILL CEASE WHEN SNA STOCKS EXHAUSTED (HE NOTED METROPOLITAN PORTUGAL UNABLE TO SUPPLY SHORTFALL). SNA ABLE PURCHASE SOME 700-800 TONS OF SCRAP MONTHLY IN ANGOLA, BUT MONTHLY REQUIREMENT IS 3,500.

3. EMBASSY BELIEVES ANGOLAN NEED IS SPECIAL HARDSHIP CASE. PRESUMABLY TINY 900-TON QUOTA WAS DERIVED FROM ASSUMPTION 10,000 TONS IMPORTED BY ANGOLA DURING BASE PERIOD REPRESENTED THREE YEARS' IMPORTS WHEN IN FACT IT REPRESENTED SIX MONTHS. WHILE GLOOMY PREDICTIONS OF CORREA DA SILVA MAY BE EXAGGERATED, IT IS DIFFICULT TO ARGUE WITH HIS FIGURES. CONCEIVABLY, ANGOLA COULD FIND OTHER SOURCES FOR STRUCTURAL STEEL, THOUGH DEPENDENCE ON SNA FOR OVER THREE YEARS WOULD MAKE IT DIFFICULT ESTABLISH NEW SUPPLY PATTERN ON SHORT NOTICE AND, IN ANY CASE, THIS WOULD NOT PREVENT PARALYSIS OR SHUT-DOWN OF SNA PLANT. FACT THAT SNA IS ONLY STEEL

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PLANT AND ONE OF FEW MANUFACTURING INDUSTRIES IN DEVELOPING TERRITORY OF ANGOLA, THAT SNA VIRTUALLY TOTALLY DEPENDENT ON IMPORTED SCRAP, THAT U.S. IS UNDERSTOOD TO BE ONLY POTENTIAL SOURCE FOR SCRAP, ALL SEEM TO US TO BE PERSUASIVE ARGUMENTS FOR SPECIAL EXCEPTION TO BE MADE IN CASE OF SNA.

4. U.S. ACTION OR INACTION ON THIS CASE COULD HAVE

POLITICAL AS WELL AS FUTURE COMMERCIAL REPERCUSSIONS. ON POLITICAL SIDE, PORTUGUESE FEEL THEY HAVE SPECIAL CALL ON U.S. SYMPATHETIC CONSIDERATION FOR THEIR PROBLEMS FOLLOWING PORTUGUESE ACQUIESCENCE IN USE OF AZORES FOR RESUPPLY OF ISRAEL DURING RECENT MID-EAST CONFLICT. THEY WILL NOT UNDERSTAND WHY U.S., TO WHOM THEY WERE UNIQUELY HELPFUL AT CONSIDERABLE RISK, FAILED TO MAKE THE TINY SACRIFICE OF PROVIDING THE SMALL FRACTION OF ITS EXPORTABLE SCRAP NEEDED TO SAVE AN IMPORTANT ANGOLAN INDUSTRY, AND THIS FEELING COULD HARDEN THEIR ATTITUDE IN CURRENT AZORES NEGOTIATIONS. FINALLY, SNA IS PART OF GIANT CHAMPALIMAUD BANKING AND INDUSTRIAL COMPLEX. IF U.S. IS SEEN AS RESPONSIBLE FOR COLLAPSE OF THEIR ANGOLAN STEEL VENTURE, U.S. CAN FORGET ABOUT ANY FUTURE BUSINESS WITH THIS GROUP.

5. ACTION REQUESTED: EMBASSY REQUESTS ANGOLAN IMPORT SITUATION BE RECOGNIZED AS HARDSHIP CASE AND THAT 10,000 TONS SCRAP NOW UNDER CONTRACT BE LICENSED FOR IMMEDIATE EXPORT WITH ADDITIONAL 20,000 TONS EARMARKED FOR SUBSEQUENT ALLOCATION THIS YEAR.

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